



*FY 2005
CIIS Glossary*

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CIIS GLOSSARY

A

Advance Purchase Commitment: Per the NMTC regulations, a loan is treated as made by a CDE to the extent the CDE purchases the loan from the originator (whether or not the originator is a CDE) within 30 days after the date the originator makes the loan, if at the time the loan was made, there is a legally enforceable written agreement between the originator and the CDE which-- (A) Requires the CDE to approve the making of the loan either directly or by imposing specific written loan underwriting criteria; and (B) Requires the CDE to purchase the loan within 30 days after the date the loan is made.

Affiliate: Any legal entity that controls or is controlled by, or is under common control with, the organization.

Affordable Housing: Affordable housing activities: (a) promote the supply of housing through the provision of acquisition, pre-development financing, construction, rehabilitation, permanent and other similar financing, and related development services, and/or (b) increase homeownership opportunities through the provision of first mortgage financing, subordinated mortgages (for home purchase and rehabilitation) and related development services. The housing must be the primary residence of a household or family that qualifies as low-income and that household or family must not pay more than 30 percent of their income on housing.

Affordable Housing Units: Affordable means that rent or homeowner burden is no more than 30 percent of 80 percent of area median income.

Allocation Agreement: An agreement to be entered into by the Fund and a CDE, relating to the NMTC Allocation.

Allocation Tracking System: The Allocation Tracking System (ATS) collects information from Allocatees to: (1) monitor the issuance of QEIs to ensure that no Allocatee exceeds its allocation authority; (2) ensure that QEIs are issued within the timeframes required by the NMTC Program regulations and the allocation agreement signed between the CDFI Fund and the Allocatee; and (3) assist with NMTC Program compliance and evaluation efforts.

Amortization: The gradual elimination of a liability, such as a mortgage, in regular payments over a specified period of time. Such payments must be sufficient to cover both principal and interest.

Appalachia: Appalachia is a 200,000-square-mile region that follows the spine of the Appalachian Mountains from southern New York to northern Mississippi. It includes all of West Virginia and parts of twelve other states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia. A complete list of the Appalachian counties can be found on the Fund's website in the CDFI Investment Mapping

System (CIMS). Users can access CIMS through the organization's myCDFIFund account at www.cdfifund.gov.

B

Balance Sheet: A quantitative summary of an organization's financial condition at a specific point in time, including assets, liabilities, and net worth. The first part of a balance sheet shows all the productive assets a company owns, and the second part shows all the financing methods (such as liabilities and shareholders' equity). Also called statement of financial condition or statement of financial position.

Balloon Payment: A large, lump-sum payment scheduled at the end of a series of considerably smaller periodic payments. A balloon payment may be included in the payment schedule for a loan, lease, or other stream of payments.

Bank Holding Company: A company that owns or controls two or more banks or other bank holding companies. As defined in the Bank Holding Company Act of 1956, such companies must register with the Board of Governors of the Federal Reserve System and hence are called registered bank holding companies.

Bank or Thrift: Any entity, the deposits of which are insured by the Federal Deposit Insurance Corporation (FDIC).

Book Value: The value of an asset as it appears on a balance sheet, equal to cost minus accumulated depreciation. Book value often differs substantially from market price, especially in knowledge industries such as high-tech.

Business - Fixed Asset: A loan/investment 'Purpose' option. Categorizes a loan/investment that will be used to pay for any tangible property used in the operation of a business, but not expected to be consumed or converted into cash in the ordinary course of events. Commonly financed fixed assets include machinery and equipment, furniture and fixtures, and leasehold improvements.

Business - Working Capital: A loan/investment 'Purpose' option. Categorizes a loan/investment that will be used to cover any ongoing operating expenses of the business such as payroll, rent or utility expenses.

Business Technical Assistance: Assisting borrowers with business plan development including developing record keeping accounting systems, understanding critical expenses, applying for licenses or permits, accessing government and corporate procurement processes, and other related services.

C

Capital Liquidity Ratio: Current assets divided by current liabilities. Also referred to as the Current Ratio.

Cash Equivalents: Highly liquid, very safe investments which can be easily converted into cash, such as Treasury Bills and money market funds.

CDFI Intermediary: An entity that meets CDFI certification eligibility requirements and whose primary business activity is the provision of financial products to CDFIs and/or emerging CDFIs.

Census Tract: Census tracts are small, relatively permanent statistical subdivisions of a county or statistically equivalent entity delineated by local participants as part of the U.S. Census Bureau's Participant Statistical Areas Program. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of decennial census data.

Certificate of Deposit: (CD) Short- or medium-term, interest-bearing, FDIC-insured debt instrument offered by banks and savings and loans. CDs offer higher rates of return than most comparable investments, in exchange for tying up invested money for the duration of the certificate's maturity. Money removed before maturity is subject to a penalty. CDs are low risk, low return investments, and are also known as 'time deposits,' because the account holder has agreed to keep the money in the account for a specified amount of time, anywhere from three months to six years.

Charge off: Accounts receivable that will likely remain uncollectible and have been written off. Charge offs appear as an expense on the company's income statement, thus reducing net income.

Collateral: Asset pledged to a lender until a loan is repaid. If the borrower defaults, the lender has the legal right to seize the collateral and sell it to pay off the loan.

Colonias: The Colonias include select counties in Arizona, California, New Mexico, and Texas. A complete list of the counties in the Colonias can be found on the Fund's website in the CDFI Investment Mapping System (CIMS). Users can access CIMS through the organization's myCDFIFund account at www.cdfifund.gov.

Combination Hot Zones: Combination Hot Zones are geographic units that meet both the criteria for Economic Development Hot Zones and Housing Hot Zones.

Commercial Real Estate: Real property with intended commercial use, including retail, office, industrial, and community facilities.

Commitments: A lender's intent to provide a loan or equity investment to a borrower evidenced with a legally binding document such as a note or commitment letter AND the lender has reserved cash, cash equivalents, or other assets to fund at a later date, but the lender has not yet disbursed. For example, a loan that has been approved, including provisional approval, by the Loan Committee but the borrower or investee has not yet signed a promissory note or has not received funds.

Community Development Entity: (CDE) Under IRC 45D(c)(1), any domestic corporation or partnership if: (1) The primary mission of the entity is serving, or providing investment capital for, low-income communities or low-income persons; (2) The entity maintains accountability to residents of low-income communities through their representation on any governing board of the entity or on any advisory board to the entity; and (3) The entity is certified by the Fund as a CDE.

Community Development Financial Institution: (CDFI) An entity that has been certified by the Fund as meeting the criteria set forth in section 103 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702).

Community Facilities: A facility in which health care, childcare, educational, cultural or social services are provided.

Consumer: A loan/investment 'Purpose' option. Categorizes a loan/investment for health, education, emergency, credit repair, debt consolidation, and consumer purposes. To the extent possible, personal loans for business purposes should be identified as business or real estate loans, and personal loans for home improvement or repair should be identified as housing loans.

Consumer Loans: Personal (secured or unsecured) loans to one or more individuals for health, education, emergency, credit repair, debt consolidation, and consumer purposes. To the extent possible, personal loans for business purposes should be identified as business or real estate loans, and personal loans for home improvement or repair should be identified as housing loans.

Convertible Debt: Security which can be exchanged for a specified amount of another, related security, at the option of the issuer and/or the holder. Also called convertible.

Corporation: The most common form of business organization, and one which is chartered by a state and given many legal rights as an entity separate from its owners. This form of business is characterized by the limited liability of its owners, the issuance of shares of easily transferable stock, and existence as a going concern. The process of becoming a corporation, called incorporation, gives the company separate legal standing from its owners and protects those owners from being personally liable in the event that the company is sued (a condition known as limited liability). Incorporation also provides companies with a more flexible way to manage their ownership structure. In addition, there are different tax implications for corporations, although these can be both advantageous and disadvantageous. In these respects, corporations differ from sole proprietorships and limited partnerships.

Credit Counseling: Credit counseling covers topics such as establishing, maintaining, and repairing credit; appropriate use of credit cards, and reading and interpreting credit reports.

Credit Score: The credit score is often known as the FICO score. Fair Isaac Corporation (FICO) developed the credit scoring models for the major credit reporting bureaus. These models use historical credit data to predict the likelihood that a borrower will pay his or her debts. For additional information go to <http://www.myfico.com/>.

Current Assets: Assets which can be converted to cash within the next 12 months.

Current Liabilities: Liabilities that are due to be paid within the next 12 months.

D

Days Delinquent: Difference between the reporting date and the borrower's payment due date following the last full payment received.

Debt: A liability or obligation in the form of bonds, loan notes, or mortgages, owed to another person or persons and required to be paid by a specified date (maturity).

Debt Service Coverage: (DSC) The amount, usually expressed as a ratio, of cash flow available to meet annual interest and principal payments on debt.

Debt with Equity Features: Includes convertible debt, as well as debt with warrants, participation agreements, royalties, or any other feature that links the investment's rate of return to the performance of the company that received the investment.

Debt with Royalties: A loan that has a royalty participation gives the investor the right to a percentage of the company's sales or profits.

Development Services: A CDFI's activities that promote community development and are integral to the CDFI's provision of financial products. Such services shall prepare or assist current or potential borrowers or investees to utilize the financial products of the organization. Such services include, for example: financial or credit counseling to individuals for the purpose of facilitating home ownership, promoting self-employment, or enhancing consumer financial management skills; or technical assistance to borrowers or investees for the purpose of enhancing business planning, marketing, management, and financial management skills.

Direct Tracing Method: As defined in 26 CFR §1.45D-1T(c)(5)(ii).

Dividends: A taxable payment declared by a company's board of directors and given to its shareholders out of the company's current or retained earnings, usually quarterly. Dividends are usually given as cash (cash dividend), but they can also take the form of stock (stock dividend) or other property.

E

Earned Income: Interest income, loan fees, and other program income, excluding all grants and contributions.

Economic Development Hot Zones: I. Metropolitan Economic Development Hot Zones are census tracts with: a) A minimum population of 1,500; b) An unemployment rate at or above 1.5 times the national average, c) A poverty rate at or above 20 percent, and d) A median family income at or below 80 percent of the metropolitan area median income. II. Non-metropolitan Economic Development Hot Zones are counties or census tracts with: a) A minimum population of 500, b) An unemployment rate at or above 1.5 times the national average, and either c) A poverty rate at or above 20 percent, or d) A median family income at or below 80 percent of the statewide non-metropolitan median

family income or the national non-metropolitan median family income (whichever is greater).

Economic Development Services: Services that support the development and retention of jobs and the start up and growth of businesses through (i) loans, equity investments and other similar financing to for-profit small businesses, microenterprises, and commercial real estate other than community facilities, (ii) related development services, and (iii) community organization support.

Electronic Transfer Account: The U.S. Department of the Treasury designed the Electronic Transfer Account (ETA) as a low-cost account for individuals to receive their Federal payments electronically. Generally anyone who receives (or represents someone who receives) one of these Federal Government payments is eligible to receive his or her monthly payments electronically through an ETA: Social Security, Supplemental Security Income (SSI), Veterans Benefits, Civil Service Wage Salary or Retirement Payments, Military Wage Salary or Retirement Payments, Railroad Retirement Board Payments, or DOL / Black Lung. For additional information go to <http://www.eta-find.gov/Index.htm>.

EQ2: A loan to a CDFI that meets the following characteristics: (1) At the end of the initial term, the loan must have a definite rolling maturity date that is automatically extended on an annual bases if the CDFI borrower continues to be financially sound and carry out a community development mission. (2) Periodic payments of interest and/principal may only be made out of the CDFI borrower's available cash flow after satisfying all other obligations. (3) Failure to pay principal or interest (except at maturity) will not automatically result in a default of the loan agreement. (4) The loan must be subordinated to all other debt except for the equity-equivalent like loans.

Equity-like Feature: Equity-like features offer some upside potential over and above the return of principal and interest on the loan. The equity-like feature or kicker can be tied either to future revenues (royalties or participation agreement) or to equity (convertible debt or debt with warrants), or may include an interest rate that adjusts based on the borrower's performance.

Equity Capital: The amount of equity that is available for lending or investing. Also referred to as net assets dedicated to lending by nonprofit loan funds, net worth by credit unions, and equity by venture funds.

Equity Equivalent Investment: Unsecured debt that has some of the same advantages as equity because it is subordinate to all other debt and carries a rolling term, the investor has limited right to accelerate payment, and interest is not tied to income. The investing bank also receives advantageous Community Reinvestment Act (CRA) credit.

Equity Investments Ratio: The number of equity investments held for 12 months or more that have decreased in value divided by the total number of equity investments held for 12 months or more.

F

Fair Value: A valuation, in accordance with standard methodology, that is reasonable to all parties involved in a transaction in light of all pre-existing conditions and circumstances. For additional information on calculating fair value, refer to www.fasb.org/project/fv_measurement.shtml.

Faith-based organization: (FBO) An organization whose founding (through capitalization or otherwise), governance, or membership is derived from a religious institution.

Female-Headed Household: A household in which a single, or married but separated woman, is the primary support for a household that includes at least one dependent or other qualifying individual as allowed by the Internal Revenue Service's (IRS) regulations. A single woman with no dependents does not qualify.

Financial Counseling and Other Services: (FCOS) Advice provided by a CDE relating to the organization or operation of a trade or business.

Financial Education: Financial education covers such topics as household budgeting, strategies for saving, benefits of saving, retirement accounts, and investments.

Financial Services: Checking or savings accounts, check cashing, money orders, certified checks, automated teller machines, deposit-taking, safe deposit box services, and other similar services.

Financial Statements: Financial reports that reflect the financial condition of an organization at a specific point in time. Generally, such statements consist of balance sheets or statements of financial position; income and expense statements; statements of cash flows and, if applicable, auditors' opinion letters and any reports of findings (management letter), single audit reporting package (i.e., report on compliance with requirements applicable to each major program and on internal controls over compliance in accordance with OMB Circular A-133), or any letters prepared by the auditor in compliance with OMB Circular A-133.

FIPS Codes: Federal Information Processing Standards codes (FIPS codes) are a standardized set of numeric or alphabetic codes issued by the National Institute of Standards and Technology (NIST) to ensure uniform identification of geographic entities through all federal government agencies. The entities covered include: states and statistically equivalent entities, counties and statistically equivalent entities, named populated and related location entities (such as, places and county subdivisions), and American Indian and Alaska Native areas. For additional information go to <http://www.census.gov/geo/www/fips/fips.html>.

First-time Homebuyer: An individual or family who has not owned a home during the three-year period preceding the CDFI-assisted purchase of a principal residence.

First Accounts: A low-cost account and such other services designed to expand access to financial services for low- and moderate-income individuals, provided pursuant to grants made under the Consolidated Appropriations Act, 2001

(Public Law 106-554, 114 Stat. 2763, 2763A-126), and the Department of Transportation and Related Agencies Appropriations Act, 2001 (Public Law 106-346, 114 Stat. 1356, 1356A-44). For additional information go to www.treas.gov/firstaccounts/.

Forgivable Loan: A loan in which the loan agreement specifies that some or all of the outstanding balance of the loan may be converted to a grant if certain conditions are met. For example, some housing CDFI loans specify that if the borrower remains in the purchased home for a certain number of years and sells it back to a nonprofit organization, the loan will be forgiven.

FTEs: (Full Time Equivalents) An employee that works at least a 35-hour workweek. In calculating the number of full-time equivalents, part-time employees should be combined to full-time equivalents. For example, two part-time employees that each work 17.5 hours/week should be combined to count as one full-time equivalent.

G

Gains / Losses (realized / unrealized): Gains and losses from the sale of trading securities or fixed assets, and from unrealized holding gains and losses.

Gross Revenue: Revenue minus cost of goods sold.

Guarantee: An agreement to compensate the holder of a loan, all or a portion of the principal balance in the case of default by the borrower. Includes guarantees of letters of credit provided to enhance the credit worthiness of a borrower receiving a loan from a third-party lender.

H

Hispanic Origin: This term is used to determine Hispanic or Non-Hispanic origin. The federal government considers race and Hispanic origin to be two separate and distinct concepts. In the Census 2000, the question on Hispanic origin asked respondents if they were Spanish, Hispanic, or Latino. The Office of Management and Budget (OMB) defines Hispanic as 'a person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin regardless of race.'

Homeownership Counseling: Assisting borrowers, who are new or existing homeowners, make informed decisions related to budgeting, selecting a home; types of mortgage insurance; homeowner tax benefits; equity build up; home maintenance, energy conservation, and foreclosure prevention.

HOPE VI: The HOPE VI program was developed as a result of recommendations by the National Commission on Severely Distressed Public Housing, which was charged with proposing a National Action Plan to eradicate severely distressed public housing. The Commission recommended revitalization in three general areas: physical improvements, management improvements, and social and community services to address resident needs.

Hot Zone: Please see the following glossary terms: Combination Hot Zones, Economic Development Hot Zones, and Housing Hot Zones.

Hot Zone End Users: Residents of a Hot Zone that benefit from a loan/investment made to another borrower for a service or facility located in Hot Zone. For example, employees of a business or users of community facilities located in the Hot Zone.

Housing Hot Zones: Housing Hot Zones are metropolitan census tracts and non-metropolitan counties or census tracts that: a) Have minimum population of 1,500 (for metropolitan census tracts), or b) 500 (for non-metropolitan counties or census tracts) and either, 1) Demonstrate Low-Income Rental Housing Cost-Burden by: a) Median monthly rental housing cost that exceeds 30 percent of the gross monthly income of a low-income household, b) A poverty rate at or above 20 percent, and c) A median family income that is at or below: i) 80 percent of the metropolitan area median income (for metropolitan census tracts), or ii) the greater of 80 percent of the statewide non-metropolitan median family income or the national non-metropolitan median family income (for non-metropolitan counties or census tracts), OR 2) Demonstrate low-income homeowner cost-burden by: a) Median monthly homeowner cost that exceeds 30 percent of the gross monthly income of a low-income household and, b) A median family income that is at or below: i) 80 percent of the metropolitan area median income (for metropolitan census tracts), or ii) the greater of 80 percent of the statewide non-metropolitan median family income or the national non-metropolitan median family income (for non-metropolitan counties or census tracts).

Housing Technical Assistance: Assisting borrower to determine financial feasibility of the housing property (such as cash flow projections asset management, and identifying additional financing from public and private sources); Site reviews (such as environmental assessments, pre-condition surveys for rehabilitation, and evaluation of project location); and Construction management (such as ensuring construction standards, building codes and understanding restrictions).

HUBZone Empowerment Contracting Program: The SBA's HUBZone Empowerment Contracting program provides federal contracting opportunities for qualified Program small businesses located in distressed areas. Fostering the growth of these federal contractors as viable businesses, for the long term, helps to empower communities, create jobs, and attract private investment. For additional information go to <http://www.sba.gov/hubzone/section05b.htm>.

I

In-kind Donations: A payment made in the form of goods and services, rather than cash.

Income and Expense Statement: A report of all revenues and expenses pertaining to a specific time period. Also called statement of activities (non-profit) or statement of operation (for-profit).

Individual Development Account: IDAs are matched savings accounts, similar to 401(k)s that can be used by low-income households to purchase homes, seek post secondary education, capitalize small businesses, fund retirement accounts, or engage in other types of economic development activities.

Interest Earned on Cash & Marketable Securities: Includes all interest earned on cash and marketable securities (e.g., CDs, Tbills) and considered as earned income in calculating the self-sufficiency ratio.

Interest Income Earned on Loan and/or Investment Portfolio: Includes interest earned on loans outstanding and dividends on community development equity investments.

Investment Area: A Target Market made up of a geographic unit or contiguous geographic units that: 1. Is entirely located within the geographic boundaries of the United States and either: 2. Meets at least one of the criteria of economic distress as defined under 12 CFR§1805.201(b)(3)(ii)(D) and has significant unmet needs for loans, equity investments, or financial services, as described under 12 CFR§1805.201(b)(3)(iii)(E); or 3. Encompasses or is located wholly within an Empowerment Zone or Enterprise Community designated under section 1391 of the Internal Revenue Code of 1986.

Investment Area End Users: Residents of an Investment Area that benefit from a loan/investment made to another borrower for a service or facility located in an Investment Area. For example, employees of a business or users of community facilities located in the Investment Area.

Investment Bank: An individual or institution which acts as an underwriter or agent for corporations and municipalities issuing securities. Must also maintain broker/dealer operations, maintain markets for previously issued securities, and offer advisory services to investors. Investment banks also have a large role in facilitating mergers and acquisitions, private equity placements and corporate restructuring. Unlike traditional banks, investment banks do not accept deposits from and provide loans to individuals.

IRA/Keogh Accounts: An IRA, or Individual Retirement Account, is a personal, tax-deferred, retirement account that an employed person can set up. A Keogh plan is a retirement plan for the self-employed professional, or the owner of an unincorporated, typically small, business and its employees. Money placed into a Keogh grows tax-free until it is withdrawn.

ITIN: (Individual Taxpayer Identification Number) An identification number issued by the IRS for tax paying purposes to individuals who do not have a social security number. For additional information refer to www.irs.gov or <http://www.irs.gov/newsroom/article/0,,id=112728,00.html>.

L

Lending/Investing Pool: The total capital dedicated to lending or investing. This includes both available and invested funds.

Lien Position: A lien is the security for a debt. When more than one debtor has secured the debt with the same lien, each of those debtors holds a position (first, second, etc.) identifying their order of priority for the payment in the case of default.

Line of Credit: A commitment to make loans to a particular borrower up to a specified maximum during a specified period, which may include disbursements and repayments on a revolving basis.

Loan-to-Value Ratio: (LTV) The ratio of the fair market value of an asset to the value of the loan that will finance the purchase. Loan-to-value tells the lender if potential losses due to nonpayment may be recouped by selling the asset.

Loan Fund: A legal entity, not regulated by a state or Federal agency, whose predominant business activity is the provision of loans.

Loan Loss Provision: The loan loss provision should appear as an expense item on any active lending institution's statement of activities (income and expense statement). It is a non-cash expense that gets reflected as a change in the loan loss reserve (LLR) account on the balance sheet. The loan loss provision captures loan loss reserve adjustments resulting from the following: 1) loans written off (decreases LLR); 2) new loans made (increases LLR); and 3) loans paid in part or full (decreases LLR). While it is a non-cash expense, it is treated as a direct operating expense when the provision is made, usually annually.

Loans/Investments Originated: A loan or investment is counted as originated when a legally binding note has been signed by the borrower in favor of the lender.

Loans/Investments Outstanding: The loans and investments for which principal was outstanding as of the last day of the fiscal year. These loans may have originated during the fiscal year or in a previous year. This includes any loans that have been restructured, but not those loans that have been charged off.

Low Income (CDE): For the NMTC Program, a Low Income Community means any population census tract that meets one of the following criteria (as reported in the most recently completed decennial census published by the U.S. Bureau of the Census): 1. The poverty rate for census tract is at least 20 percent, or 2. In the case of a Low Income Community located: a) outside of a metropolitan area, the median family income (MFI) for such tract does not exceed 80 percent of statewide MFI, or b) within a metropolitan area, the MFI for such tract does not exceed 80 percent of the greater of statewide MFI or metropolitan area MFI, or c) within a possession of the United States, the MFI does not exceed 80% of possession wide median family income.

Low Income (CDFI): For the CDFI Program, an annual income, adjusted for family size, of not more than: for metropolitan areas, 80 percent of the area median family income; and for non-metropolitan areas, the greater of: (i) 80 percent of the area median family income; or (ii) 80 percent of the statewide non-metropolitan area median family income.

Low Income Owned or Controlled: A business that is more than 50 percent owned or controlled by one or more Low-Income persons. If the business is a for-profit,

refer to the owners. If a business is a non-profit, then if more than 50 percent of the Board of Directors are low-income, OR if the most senior manager (Executive Director, Chief Executive Officer, General Partner, or Managing Member) is low-income, then the non-profit is a low-income owned or controlled business.

Low Income Targeted Population: (LITP) For the CDFI Program, Target Market that is made up of individuals who are low-income and who reside within the boundaries of the United States. Low Income Targeted Population End Users: Low income and very low income persons that benefit from a loan/investment made to another borrower. For example, residents of housing in which the CDFI made a construction or rehabilitation loan.

Lower Mississippi Delta: A 240-county/parish area in an 8-state region comprising parts of Mississippi, Louisiana, Alabama, Arkansas, Tennessee, Kentucky, Missouri, and Illinois. A complete list of the counties in the Lower Mississippi Delta can be found on the Fund's website in the CDFI Investment Mapping System (CIMS). Users can access CIMS through the organization's myCDFIFund account at www.cdfifund.gov.

M

Major Urban Area: A Metropolitan Statistical Area (MSA) with a population equal to or greater than 1 million, including both central city and surrounding suburbs.

Marketable Securities: Securities that can be easily converted into cash. Such securities will generally have highly liquid markets allowing the security to be sold at a reasonable price very quickly.

Matricula Consular: An official identification card which is issued by the Mexican Government through its Consular Offices. The document only proves that the bearer is of Mexican nationality and is living outside of Mexico.

Minor Urban Area: Metropolitan Statistical Area with population less than one million. Includes both central city and surrounding suburbs.

Minority: Persons who are not racially White.

Minority Owned or Controlled: A business that is more than 50 percent owned or controlled by one or more minorities. If the business is a for-profit concern, more than 50 percent of its owners must be minorities; if the business is a nonprofit concern, more than 50 percent of its board of directors must be minorities (or, its Chief Executive Officer, Executive Director, General Partner, or Managing Member must be minority).

Multi-Bank CDC: In general, for-profit or nonprofit organization in which multiple insured depository institutions collectively play a role in the governance, (e.g., a majority of the board of directors), the investment decisions, and/or the capitalization of the entity.

N

NAICS: NAICS is the North American Industry Classification System, the new industry classification that replaces the SIC (Standard Industrial Classification System). For additional information go to <http://www.census.gov/epcd/www/naics.html.old>.

Native American Areas: Native American Areas and similar entities are defined as American Indian Reservations (federal and state); Off-Reservation Trust Lands; Oklahoma Tribal Statistical Areas; Alaska Native Regional Corporations or Village Statistical Areas; and Hawaiian Homelands.

Native American CDFI: A Native American CDFI (or Native CDFI) is defined as a CDFI with greater than 50 percent of its activities directed to Native American Communities.

Native American Community: Native American, Alaska Native, and Native Hawaiian populations and geographic areas (including American Indian reservations, Hawaiian Home Lands, and Alaska Native Villages). For more detail on Native American geographic areas, see definition on 'Native American Area.'

Net Asset Ratio: Net assets divided by total assets.

Net Assets: Total assets less total liabilities as reported in an organization's statement of financial condition. Net assets is applicable to nonprofit organizations and indicates the extent to which an organization's total assets exceed its total liabilities.

Net Charged Off: Net charged off is reported after default, foreclosure, or liquidation and is net of any recovered assets. If any amount was recovered during the reporting period on loans that were written off in previous years, that amount should be subtracted from the amount charged off during the reporting period. Also referred to as Net Write Offs.

Net Loan Losses: Amount of a loan that the lender deems uncollectible from its borrower and is charged off. Losses are reported after default, foreclosure, and liquidation and are net of any recovered assets. If any amount is reclaimed in the current fiscal year on loans/investments that are written off in previous years, that amount is subtracted from the amount written off in the current fiscal year.

Net Revenue: Total revenue minus total expenses. Average net revenue is calculated in CIIS as the average net revenue for the past three years.

Net Worth: For a for-profit organization, it is the total dollar value of its shareholders equity and is comprised of the sum of common stock, paid-in capital and retained earnings. Net worth is also commonly known as total equity. For an insured credit union, it is the total dollar value of its equity and is comprised of undivided earnings, regular reserves, appropriation for non-conforming investments (state-chartered credit unions only), other reserves (appropriations of undivided earnings) and unsecured secondary capital (low-income designated credit unions only).

Nondepository Financial Institutions: Includes all financial institutions that are not banks, thrifts, or credit unions, including mutual funds, insurance companies, and finance companies.

O

Operating Expenses: Expenses for business operations including, but not limited to, staff salaries and benefits, professional fees, and depreciation.

Operating Liquidity Ratio: The total unrestricted cash and cash equivalents divided by the product of total pre-tax expenses multiplied by .25. The operating liquidity ratio is a measure of the extent to which an organization has sufficient operating reserves on hand to pay its expenses. A ratio of 1.0 or greater indicates that an organization has at least three months of liquid assets on hand to cover three months of expenses. A ratio of less than 1.0 indicates that an organization may be experiencing operating liquidity problems and has insufficient operating reserves.

Other Development Services Provider: An affiliate or non-affiliate of an organization that provides development services on behalf of that organization.

Other Targeted Population: (OTP) A CDFI Program Target Market that is an identifiable group of individuals in the organization's service area for which there exists a strong basis in evidence that the group lacks access to loans, equity investments, and/or financial services.

Other Targeted Population End Users: Persons of Other Targeted Populations that benefit from a loan/investment made to another borrower. For example, residents of housing in which the CDFI made a construction or rehabilitation loan.

P

Partially Amortized Loan: Loan which is partially repaid by amortization during the term of the loan and partially repaid at the end of the term.

Pay Day Loan: Short-term loans secured by individual's pay check, often at a high interest rate.

Payroll Cards: Payroll cards are bank ATM or Branded debit cards that are directly linked to payroll deposits. These debit cards are customized and can be restricted and or enhanced, depending on the vendor.

Pension Fund: A fund set up by a corporation, labor union, governmental entity or other organization to pay the pension benefits of retired workers.

Performance-Based Interest Rate: An equity-like feature of a loan that is an interest rate that adjusts based on the borrower's performance.

Points: Upfront fee charged by a lender, separate from interest, but designed to increase the overall yield to the lender. A point is 1 percent of the total principal amount of the loan.

Portfolio at Risk: The total dollar amount of loans with payments 90 days or more past due divided by the total outstanding loan portfolio.

Q

Qualified Active Low-Income Community Business: (QALICB) Under IRC 45D(d)(2), any corporation (including a non-profit corporation) or partnership if for such taxable year: (1) At least 50 percent of total gross income of such entity is derived from the active conduct of a qualified business within any Low-Income Community; (2) A substantial portion of the use of the tangible property of the such entity (whether owned or leased) is within any Low-Income Community; (3) A substantial portion of the services performed for such entity by its employees are performed in any Low-Income Community; (4) Less than 5 percent of the average of the aggregated unadjusted bases of the property of such entity is attributable to collectibles (as defined in IRC 408(m)(2)) other than collectibles that are held primarily for sale to customers in the ordinary course of such business; and (5) Less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to nonqualified financial property (as defined in IRC 1397C(e)).

Qualified Equity Investment: (QEI) Under IRC 45D(b)(1), any Equity Investment in a CDE if: (1) Such investment is acquired by the investor at its original issue (directly or through an underwriter) solely in exchange for cash; (2) Substantially all of such cash is used by the CDE to make QLICIs; and (3) The investment is designated for purposes of IRC 45D by the CDE as a QEI. QEI also includes an Equity Investment purchased from a prior holder, to the extent provided in IRC 45D(b)(4). QEI does not include any Equity Investment issued by a CDE more than five years after the date the CDE receives a NMTC Allocation.

Qualified Low-Income Community Investment: (QLICI) Under IRC 45D(d)(1), a QLICI is: (1) Any capital or Equity Investment in, or Loan to, a QALICB (as defined in IRC 45D(d)(2)); (2) The purchase from a CDE of any loan made by such entity that is a QLICI; (3) Financial Counseling and Other Services to business located in, and residents of, Low-Income Communities; and (4) Any Equity Investment in, or loan to, any CDE.

R

Racial Populations: Starting with Census 2000, the Office of Management and Budget (OMB) requires federal agencies to use a minimum of five racial populations or race categories: White; Black or African American; American Indian or Alaska Native; Asian; and Native Hawaiian or Other Pacific Islander. The federal government considers race and Hispanic origin to be two separate and distinct concepts. The question of race is based on self-identification. See also Native American Community.

Real Estate Technical Assistance: Assisting borrowers to determine financial feasibility of commercial property acquisition or expansion (such as cash flow

projections asset management and identifying additional financing from public and private sources); site reviews (such as environmental assessments and evaluation of project location); and construction management (such as ensuring construction standards, building codes and understanding restrictions).

Related: The NMTC specific definition is persons who are related within the meaning of IRC §267(b) or IRC §707(b)(1).

Remittance Programs: Programs that allow customers to transfer or send funds to people in foreign countries. Often used by immigrants to provide financial support to their friends and family in their country of origin.

Renewal Communities, Urban Empowerment Zones and Enterprise: The U.S. Department of Housing and Urban Development (HUD) Initiative for Renewal Communities, Empowerment Zones and Enterprise Communities (RC/EZ/EC) is important to development within distressed urban and rural areas nationwide. The Initiative, through federal grants, tax incentives, and partnerships with government, for-profit and non-profit entities, has opened new businesses and created jobs, housing, and new educational and healthcare opportunities for thousands of Americans. For additional information go to <http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/index.cfm>.

Royalties: An equity-like feature for a loan that gives the investor the right to a percentage of the company's sales or profits.

Rural Areas: Areas not contained within major urban or minor urban areas.

S

Safe Harbor Method: As defined in 26 CFR §1.45D-1T(c)(5)(iii).

Secondary Capital: Monies committed to an uninsured account with a low-income designated credit union for a minimum of five years. Funds in the secondary capital account (including both principal and interest earned) must be available to cover operating losses realized by such credit unions (i.e. losses that exceed its net available reserves and undivided earnings).

Secondary Market: A market in which an investor purchases a security from another investor rather than the issuer, subsequent to the original issuance in the primary market.

Self-Sufficiency Ratio: Earned income divided by total pre-tax operating expenses. This ratio measures the extent to which an organization is covering its annual expenses through internally generated sources (e.g., interest income, fees) or total earned income, rather than grants or other contributions.

Shareholders Equity: Total assets less total liabilities as reported in a for-profit organization's balance sheet and indicates the extent to which an organization's total assets exceed its total liabilities. This is comparable to the net assets for a nonprofit organization.

Shareholders Equity Available for Financing: A for-profit organization's net assets that are permanently or temporarily restricted for lending or equity investment activities, and net assets that are unrestricted, that may be used, or are being used (e.g., loans receivable) to support lending or equity investment activities.

SIC: The Standard Industrial Classification (SIC) System was developed in the 1930s as a way for the U.S. government to classify business industries. SIC was replaced by NAICS in the late 1990s. For additional information go to <http://www.census.gov/epcd/www/sic.html>.

Small Business Administration: (SBA) The Small Business Administration is a federal government agency within the Department of Commerce. The SBA's mission is to maintain and strengthen the nation's economy by aiding, counseling, assisting and protecting the interests of small businesses and by helping families and businesses recover from national disasters. For additional information go to <http://www.sba.gov>.

Small Business Investment Company: (SBIC) An entity defined in 15 USC 662(3).

Specialized Small Business Investment Company: (SSBIC) An entity defined in IRC 1044(c)(3).

Statement of Financial Position: See Balance Sheet.

Stored Value Card: Stored-value cards are a new payment platform for cash, gift certificates, and check payments and serve as a central payment repository point. Monetary value is added to the stored-value account before the card is used, with the value either being funded by the cardholder directly, or by the card program operator in commercial applications.

Subordinated Debt: Debt that is either unsecured or has a lower priority than that of another debt claim on the same asset or property. Also called junior debt.

Subsidiary: For Allocatees of the NMTC Program, any legal entity that is owned or controlled directly or indirectly by an organization. This term includes series funds, which are separate investment funds controlled by an organization.

Substantially All: As defined in 26 CFR §1.45D-1T(c)(5).

T

Target Market: For the CDFI Program, an Investment Area(s), a Low-Income Targeted Population or an Other Targeted Population.

Term Loan: Immediate- to long-term (typically, two to ten years) secured credit granted to a company by a commercial bank, insurance company, or commercial finance company usually to finance capital equipment or provide working capital. The loan is amortized over a fixed period, sometimes ending in a balloon payment. Borrowers under term loan agreements are normally required to meet minimum working capital and debt to net worth tests, to limit dividends, and to maintain continuity of management.

Total Project Cost: 1) The total cost of the project being financed, inclusive of all sources of financing, not just the organization's portion of financing. This measure is most common for real estate development projects involving multiple sources of financing. 2) The purchase cost of a home for home purchase loans.

V

Venture Capital Fund: An organization that predominantly invests funds in businesses, typically in the form of either equity investments or subordinated debt with equity features such as a revenue participation or warrants, and generally seeks to participate in the upside returns of such businesses, via such equity investments or equity features in an effort to at least partially offset the risk investments.

Very Low-Income: An annual income, adjusted for family size, of not more than: for metropolitan areas, 60 percent of the area median family income; and for non-metropolitan areas, the greater of: (i) 60 percent of the area median family income; or (ii) 60 percent of the statewide non-metropolitan area median family income.

W

Warrants: An equity-like feature. A certificate, usually issued along with a bond or preferred stock, entitling the holder to buy a specific amount of securities at a specific price, usually above the current market price at the time of issuance, for an extended period, anywhere from a few years to forever.

Women Owned or Controlled: A business that is more than 50 percent owned or controlled by one or more women. If the business is a for-profit concern, 50 percent or more of its owners must be women; if the business is a nonprofit concern, 50 percent or more of its board of directors must be women (or, its Chief Executive Officer or Executive Director, General Partner, or Managing Member must be a woman).